

CASE STUDY # 4

WORKING CAPITAL FUND FOR GOODS AND SERVICES

**PREPARED BY THE
FINANCIAL MANAGEMENT DOMAIN**

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This document is one of a series of accounting case studies designed by the Financial Management Domain to ascertain whether entries required to record transactions are contained in DoD's Standard General Ledger transaction library. This version of the case, dated December 17, 2004, supersedes all previous versions. The transaction library is discussed in a separate document entitled "Concept of Operations for the DoD Standard General Ledger Transaction Library, based on the U.S. Government Standard General Ledger," draft version 2.0, which these cases accompany. As a useful cross-reference, the tables below each transaction in the case studies refer to DoD Transaction Codes used in the transaction library.

Case 4 employs accounting for contract authority that is liquidated with unfilled customer orders. Because this is relatively unique to DoD, the USSGL presently does not provide for it, and DoD's OUSD(C) Accounting and Finance Policy and Analysis Directorate is presently developing proposals to modify the USSGL accordingly. This case presents one possible version of the accounting, but the final version may differ. Regardless, the resulting Statement of Budgetary Resources should be essentially the same (with perhaps a different crosswalk to some of the lines). Case transactions other than the anticipation, realization, and withdrawal of contract authority are not affected. The case will be updated when final decisions are made.

NATURE OF THE CASE

This is an accounting case study for a DoD working capital fund providing goods and services to DoD and non-DoD entities using contract authority liquidated by no-year reimbursable authority. It accumulates costs of customer orders in a work in process account, transfers completed goods and services to finished goods, and recognizes revenue from goods sold and services provided.

The case begins with a trial balance from the preceding year and then illustrates these transactions in the course of a year, with entries, in standard general journal form, using United States Government Standard General Ledger (USSGL) accounts:

- Anticipation and realization of contract authority.
- Acceptance of customer orders with and without advances, and related liquidation of contract authority.
- Apportionment, allotment, and commitment of funds.
- Obligations with and without advances.
- Receipt, accrual, and payment for goods and services, including situations in which the final amount of bills differs from the obligations placed.
- Vendor overpayments and subsequent collections.
- Summary and application of costs to work in process, including allocating underapplied overhead.
- Billing and collection of revenues.

- Annual leave, depreciation, and bad debt expenses.
- Writeoff of uncollectible accounts receivable.
- Removal of customers orders for which the customers' authority has expired at year-end.
- Closing entries.

The case provides pre- and post-closing trial balances, and indicates relationship that can be expected among the budgetary, proprietary, and memorandum accounts involved. The following financial statements are issued, with crosswalks prepared for each:

- Statement of net cost.
- Statement of changes in net position.
- Statement of budgetary resources.
- Statement of financing.
- Balance sheet.

The case is designed primarily for an audience of accountants with knowledge of federal generally accepted accounting principles relating to budgetary and proprietary accounting for authority which does not expire. Its purpose is to provide a benchmark against which to test the transactions and reporting modules of an accounting system to see if they result in essentially the same journal entries, trial balances, and financial statements.

Some caveats and additional remarks:

- Transactions are summarized for the year, and generally are illustrated only once. In practice, of course, they would occur numerous times.
- Accounts receivable (1310) and operating expenses/program costs (account 6100) are subdivided for purposes of illustration—the account numbers used with two or more different titles. In an actual situation, attributes, sub-accounts, subsidiary ledgers, or other means would be required for the separation. Overhead is accumulated in three different accounts—6710 for depreciation on equipment, 6720 for bad debts, and 6100 for funded costs
- Small numbers are used to facilitate reading and comprehension. All amounts should be considered material.
- While the case illustrates a number of common transactions, there is no intent or claim to provide for every possible transaction or variation of transactions. The design of the transactions has been made as flexible as possible to allow for easy variations. For instance, while USSGL account 1521, "Inventory Purchased for Resale," has been used, and could apply to consumable goods sold, account 1525, "Inventory – Raw Materials," could be substituted to yield a standard construction of assets operation. And omitting USSGL account 1527, "Inventory – Finished Goods," going

directly to cost of goods sold, would yield a standard wholesale or retail goods operation. While the relationships between and among the account balances are as indicated in the case, the formulas for the relationships could be more complex if additional transactions were included.

The sections of the case follow in this order:

- Accounts used
- Entity illustrated
- Opening trial balances
- Relationships among accounts in the opening trial balances
- Transactions for the year
- Pre-closing trial balances
- Relationships among accounts in the pre-closing trial balances
- Closing entries
- Post-closing trial balances
- Relationships among accounts in the post-closing trial balances
- Financial statements.

An Appendix provides information on what “joint” transactions might be undertaken by a customer of the Working Capital Fund that is also a component of DoD (outside the Working Capital Fund), and sets forth the nature of eliminations to be made for purposes of the consolidated DoD statements. Additional information is provided in footnote disclosures or notes within the body of the case throughout.

ACCOUNTS USED IN THE CASE

Budgetary, proprietary, and memorandum accounts used in the case are set forth in the tables of this section.

BUDGETARY ACCOUNTS USED IN THE CASE

4032 Estimated Indefinite Contract Authority [Current-Year Contract Authority
Realized but not Obligated]¹
4131 Current-Year Contract Authority Realized [and Obligated]²
4132 Substitutions of Contract authority
4135 Contract Authority Liquidated
4139 Contract Authority Carried Forward
4201 Total Actual Resources – Collected
4221 Unfilled Customer Orders Without Advance
4222 Unfilled Customer Orders With Advance
4251 Reimbursements and Other Income Earned - Receivable
4252 Reimbursements and Other Income Earned - Collected
4450 Unapportioned Authority
4510 Apportionments
4610 Allotments – Realized Resources
4700 Commitments - Programs Subject to Apportionment
4801 Undelivered Orders – Obligations, Unpaid
4802 Undelivered Orders – Obligations, Prepaid/Advanced
4901 Delivered Orders – Obligations, Unpaid
4902 Delivered Orders – Obligations, Paid
4972 Downward Adjustments of Prior-Year Paid Delivered Orders - Obligations,
Refunds Collected

¹ DoD is using this account differently than provided for in the USSGL account description.

² DoD is using this account differently than provided for in the USSGL account description.

PROPRIETARY ACCOUNTS USED IN THE CASE

1010 Fund Balance with Treasury
1310 Accounts Receivable
1319 Allowance for Loss on Accounts Receivable
1450 Prepayments
1521 Inventory Purchased for Resale
1526 Inventory - Work-in-Process
1527 Inventory – Finished Goods
1750 Equipment
1759 Accumulated Depreciation on Equipment
2110 Accounts Payable
2210 Accrued Funded Payroll and Leave
2310 Advances from Others
3310 Cumulative Results of Operations
5100 Revenue from Goods Sold
5200 Revenue from Services Provided
6100 Operating Expenses/Program Costs
6600 Applied Overhead
6610 Cost Capitalization Offset
6710 Depreciation, Amortization, and Depletion
6720 Bad Debt Expense

MEMORANDUM ACCOUNTS USED IN THE CASE

8801 Offset for Purchases of Capitalized Assets
8802 Purchases of Capitalized Assets

ENTITY ILLUSTRATED

The Honest Abe Working Capital Fund, a DoD entity, sells consumable inventory items and provides repair and maintenance services primarily for other DoD entities and, occasionally, for other (non-DoD) federal entities and foreign governments. The Fund was started with an initial appropriation several years ago, through which it acquired equipment and inventory and began operations, and is expected to be self-sustaining by charging rates for its goods and services sufficiently to cover cost of goods sold and expenses. It is required to have cash reserves of at least \$10,000 at the end of each year. The fund operates by receiving indefinite contract authority, which is liquidated by customer orders for goods and services. The contract authority is assumed to be received directly, and the fund provides both for operations of filling customer orders and for the replenishment of its own inventories and fixed assets.³

³ In an actual situation, the inventory and fixed asset acquisition and the provision of services might be handled by two or more separate entities. In such a case, the service entity would remit part of its collections to the asset acquisition entity, to be used by the asset acquisition entity to replenish or maintain inventory and fixed assets. For simplicity of illustration, the case entity encompasses both types of transactions.

OPENING TRIAL BALANCES

At October 1, 20X4, the Fund had the following beginning trial balances (debits as positive amounts, credits in parentheses):

Budgetary

4032 Estimated Indefinite Contract Authority [Current-Year Contract Authority Realized but not Obligated]	\$ - 0 -
4131 Current-Year Contract Authority Realized [and Obligated]	- 0 -
4132 Substitution of Contract Authority	- 0 -
4135 Contract Authority Liquidated	- 0 -
4139 Contract Authority Carried Forward	(11,500)
4201 Total Actual Resources – Collected	12,500
4221 Unfilled Customer Orders Without Advance	31,000
4222 Unfilled Customer Orders With Advance	2,500
4251 Reimbursements and Other Income Earned – Receivable	4,000
4252 Reimbursements and Other Income Earned – Collected	- 0 -
4450 Unapportioned Authority	(12,500)
4510 Apportionments	- 0 -
4610 Allotments – Realized Resources	- 0 -
4700 Commitments - Programs Subject to Apportionment	- 0 -
4801 Undelivered Orders - Obligations, Unpaid	(5,000)
4802 Undelivered Orders - Obligations, Prepaid/Advanced	(1,000)
4901 Delivered Orders - Obligations, Unpaid	(20,000)
4902 Delivered Orders - Obligations, Paid	- 0 -
4972 Downward Adjustments of Prior-Year Paid Delivered Orders - Obligations, Refunds Collected	- 0 -

Proprietary

1010 Fund Balance with Treasury	\$14,000
1310 Accounts Receivable – Federal Customers	4,000
1310 Accounts Receivable—Non-Federal Vendor Overpayments	500
1319 Allowance for Loss on Accounts Receivable	(100)
1450 Prepayments	1,000
1521 Inventory Purchased for Resale	6,000
1526 Inventory - Work-in-Process	15,000 ⁴
1750 Equipment	19,000
1759 Accumulated Depreciation on Equipment	(7,000)
2110 Accounts Payable	(9,000)
2210 Accrued Funded Payroll and Leave	(11,000) ⁵
2310 Advances from Others	(2,500)
3310 Cumulative Results of Operations	(29,900)
5100 Revenue from Goods Sold	- 0 -
5200 Revenue from Services Provided	- 0 -
6100 Operating Expenses/Program Costs - Direct Labor	- 0 -
6100 Operating Expenses/Program Costs – Overhead: Indirect Labor, Rent, and Other	- 0 -
6500 Cost of Goods [and Services] Sold	- 0 -
6600 Applied Overhead	- 0 -
6610 Cost Capitalization Offset	- 0 -
6710 Depreciation, Amortization, and Depletion - Overhead: Depreciation on Equipment	- 0 -
6720 Bad Debt Expense - Overhead: Bad Debts	- 0 -

Memorandum

8801 Offset for Purchases of Capitalized Assets	\$ - 0 -
8802 Purchases of Capitalized Assets	- 0 -

In some cases, account titles here and in the transactions and trial balances which follow have been changed for brevity or clarity, or to subdivide accounts for accumulating data. However in every case, accounts are intended by number to directly match or roll up to the accounts presented in the section on accounts used in the case, presented earlier.

RELATIONSHIPS AMONG BEGINNING ACCOUNT BALANCES

As a matter of information, note that the following correct relationships between the various accounts in the trial balances hold (in addition to the standard “debits = credits” requirement).

⁴ The Work in Process consisted of \$10,000 of labor, \$3,000 of direct materials, and \$2,000 of overhead.

⁵ This includes an annual leave liability of \$10,000. The only USSGL account for annual leave is for unfunded annual leave, but annual leave benefits for the case study working capital fund are built into customer charges and are thus funded.

1. $4201 + 4222 - 4801 = 1010$ [$\$12,500 + \$2,500 - \$1,000 = \$14,000$]
2. $4222 = 2310$ [$\$2,500 = \$2,500$]
3. $4251 = 1310$ (federal customers) [$\$4,000 = \$4,000$]
4. $4802 = 1450$ [$\$1,000 = \$1,000$]
5. $4901 = 2110 + 2210$ [$\$20,000 = \$9,000 + \$11,000$]
6. $4139 = 4221 + 4222 + 4151 - 4801 - 4802 - 4902$ [$\$11,500 = \$31,000 + \$2,500 + \$4,000 - \$5,000 - \$1,000 - \$20,000$]

TRANSACTIONS—FISCAL YEAR 20X4

The following transactions occurred during 20X4.

1. The Fund prepared its request for apportionment, which included the following:

Unobligated Balance of Resources Brought Forward		\$24,000	
New Contract Authority		61,500	
New Obligations Expected:			
Needed to Fill Orders at 10/1	\$ 7,500 ⁶		
Needed to Fill Anticipated New Orders	50,000		
Needed to Increase Merchandise Stocks	1,500		
Needed to Purchase New Equipment	<u>2,500</u>	61,500	

4032 [Current-Year Contract Auth. Realized but not Obligated] 61,500
4450 Unapportioned Authority 61,500

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A176	A176-001	4032	4450			50,000

2. OMB approved the request for apportionment and apportioned \$61,500 for the year.

4450 Unapportioned Authority 61,500
4510 Apportionments 61,500⁷

⁶ \$22,500 in orders (the sum of accounts 4221 and 4222) less \$15,000 in obligations already placed (the sum of accounts 4801, 4802, and 4901).

⁷Note that the entire amount is apportioned to account 4510, and none to account 4590, because the contract authority is considered to be a realized resource.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A116	A116-001	4450	4510			61,500

3. The apportionment was allotted.

4510 Apportionments 61,500
4610 Allotments – Realized Resources 61,500

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A120	A120-001	4510	4610			61,500

4. Reimbursable work orders in the amount of \$46,000 were received from customers, \$6,000 with advances.

4221 Unfilled Customer Orders Without Advance 40,000
4222 Unfilled Customer Orders With Advance 6,000
4132 Substitution of Contract Authority 46,000

1010 Fund Balance with Treasury 6,000
2310 Advances from Others 6,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C182 Refer to A303	C182-003 Refer to A303-002	4222	4132	1010	2310	6,000
A304 Refer to A303	A304-002 Refer to A303-001	4221	4132			40,000

5. Commitments of \$53,500⁸ were placed against the customer orders.

4610 Allotments – Realized Resources 53,500
4700 Commitments - Programs Subject to Apportionment 53,500

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			53,500

⁸ \$7,500 for existing orders plus \$46,000 in new orders.

6. Additional commitments of \$4,000 were placed to replenish merchandise inventory and acquire new equipment.

4610 Allotments – Realized Resources 4,000
 4700 Commitments - Programs Subject to Apportionment 4,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B202	B202-001	4610	4700			4,000

7. Obligating documents were issued as follows:

Direct Labor	\$20,000
Indirect Labor, Rent, and Other Overhead	10,000
Inventory	15,000
Equipment	2,500
Advances of \$1,500 were given with the obligations.	

4131 Current-Year Contract Authority Realized [and Obligated] 47,500
 4032 [Current-Year Contract Auth. Realized but not Obligated] 47,500

4700 Commitments - Programs Subject to Apportionment 47,500
 4801 Undelivered Orders - Obligations, Unpaid 46,000
 4802 Undelivered Orders - Obligations, Prepaid/Advanced 1,500

1450 Prepayments 1,500
 1010 Fund Balance with Treasury 1,500

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B204	B204-003	4700	4801			46,000
A168	A168-001	4131	4032			47,500
B206	B206-006	4700	4802	1450	1010	1,500

8. Goods and Services were received as follows and recorded as liabilities:

Direct Labor	\$21,000	
Indirect Labor, Rent, and Other Overhead	13,000	
Inventory	12,000	
Equipment	2,500	

The related undelivered orders for which obligations had been placed totaled \$48,800, of which \$1,300 had advances; the excess, which related to orders without advances, is to be returned to the allotment. The payroll portion of the liabilities was \$23,000, none of which had been advanced.

4032 [Current-Year Contract Auth. Realized but not Obligated]	300 ⁹	
4131 Current-Year Contract Authority Realized [and Obligated]		300
4801 Undelivered Orders - Obligations, Unpaid	47,500 ¹⁰	
4901 Delivered Orders - Obligations, Unpaid		47,200 ¹¹
4610 Allotments – Realized Resources		300
4802 Undelivered Orders - Obligations, Prepaid/Advanced	1,300	
4902 Delivered Orders - Obligations, Paid		1,300
6100 Operating Expenses/Program Costs - Direct Labor Expenses	21,000	
6100 Operating Expenses/Program Costs – Ovrhd – Indirect Labor	2,000	
2210 Accrued Funded Payroll and Leave		23,000
1521 Inventory Purchased for Resale	12,000	
1750 Equipment	2,500	
6100 Operating Expenses/Prog Costs – Ovrhd – Rent and Other	11,000 ¹²	
1450 Prepayments		1,300
2110 Accounts Payable		24,200 ¹³

⁹ Undelivered orders, \$48,800, less delivered orders, \$48,500.

¹⁰ \$48,800 in total undelivered less \$1,300 with advances.

¹¹ \$47,500 in undelivered orders without advances less \$300 excess to be returned to the allotment.

¹² \$13,000 in total overhead less \$2,000 for indirect labor, recorded with the payroll.

¹³ \$47,200 in total payables less \$23,000 related to payroll payable.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A168	A168-001 Reverse	4032	4131			300
D402 Refer to D132	D402-012 Refer to D132-319	4801	4901	6100	2210	23,000
B302	B302-003	4801	4901	1521	2110	12,000
B204	B204-005	4801	4610			300
B302	B302-022	4801	4901	6100	2110	9,700
B404	B404-048	4802	4902	6100	1450	1,300
B302	B302-015	4801	4901	1750	2110	2,500

1526 Inventory - Work-in-Process ¹⁴
6610 Cost Capitalization Offset

21,000

21,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D309	D309-002			1526	6610	21,000

8802 Purchases of Capitalized Assets
8801 Offset for Purchases of Capitalized Assets

35,500¹⁵

35,500¹⁶

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
E202	01			8802	8801	35,000

¹⁴ The debit to Work in Process assumes that the payroll system (or integrated payroll and cost accounting system) provided the information for the direct labor charges.

¹⁵ \$12,000 in merchandise inventory, \$2,500 in equipment, and \$21,000 of work in process.

¹⁶ This entry is used to feed the statement of financing line for obligations resulting in acquisition of assets. The USSGL designates its use for assets acquired by direct purchase, as opposed to expenses which are capitalized, for which 6610 is designated.

9. \$10,000 of merchandise inventory was charged to customer orders.¹⁷

1526 Inventory - Work-in-Process 10,000
1521 Inventory Purchased for Resale 10,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D850	D850019 Refer to D850-009			1526	1521	10,000

10. Depreciation of \$2,000 was recorded on the equipment.

6710 Depreciation, Amortization, and Depletion - Overhead
Expenses: Depr. on Equipment 2,000
1759 Accumulated Depreciation on Equipment 2,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D514	D514-004			6710	1759	2,000

11. The annual leave liability was increased by \$50.¹⁸

4801 Undelivered Orders - Obligations, Unpaid 50
4901 Delivered Orders - Obligations, Unpaid 50

6100 Operating Expenses/Program Costs –
Overhead Expenses; Increase in Annual Leave Liability 50
2210 Accrued Funded Payroll and Leave¹⁹ 50

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D402 Refer to D132	D402-012 refer to D132-319	4801	4901	6100	2210	50

12. Accrued bad debts expense related to vendor overpayments was increased by \$50.

6720 Bad Debt Expense - Overhead Expenses: Bad Debts 50

¹⁷ Note that accounts 8801 and 8802 are not involved, because the net change in capitalized assets is zero.

¹⁸ Because the leave is funded through customer charges (see footnote 2), obligations for the leave must be placed against budgetary resources.

¹⁹ See footnote note 2.

1319 Allowance for Loss on Accounts Receivable

50

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D204	D204-001			6720	1319	50

13. Overhead of \$14,850 was allocated to customer orders based on a pre-determined rate set at the beginning of the year.

1526 Inventory - Work-in-Process	14,850	
6600 Applied Overhead		14,850
8802 Purchases of Capitalized Assets	14,850	
8801 Offset for Purchases of Capitalized Assets		14,850

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D309	D309-001			1526	6600	14,850
E202	E202-001			8802	8801	14,850

14. Work in Process totaling \$55,000 was completed and transferred to finished goods.²⁰

1527 Inventory – Finished Goods	55,000	
1526 Inventory - Work-in-Process		55,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D312	D312-001			1527	1526	55,000

15. The finished goods were transferred to the customers. The orders contained \$28,000 of labor, \$11,000 of inventory, and \$16,000 of overhead. Sales was divided between services, \$38,000, and goods, \$17,000. \$7,000 of advances had been paid by the customers; the remainder was billed.

4132 Substitution of Contract Authority	7,000	
4135 Contract Authority Liquidated		7,000
4251 Reimbursements and Other Income Earned – Receivable	48,000	
4252 Reimbursements and Other Income Earned – Collected	7,000	
4221 Unfilled Customer Orders Without Advance		48,000

²⁰ Note that accounts 8801 and 8802 are not involved, because the net change in capitalized assets is zero.

4222 Unfilled Customer Orders With Advance		7,000
6500 Cost of Goods [and Services] Sold	55,000	
1527 Inventory – Finished Goods		55,000
1310 Accounts Receivable – Federal Customers	48,000	
2310 Advances from Others	7,000	
5100 Revenue from Goods Sold		17,000
5200 Revenue from Services Provided		38,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A187	A187-001	4132	4135			7,000
A310	A310-001	4251	4221	1310	5100	15,000
A310	A310-002	4251	4221	1310	5200	33,000
A306	A306-001	4252	4222	2310	5100	2,000
A306	A306-003	4252	4222	2310	5200	5,000
D612	D612-002			6500	1527	55,000

16. The \$250²¹ of underapplied overhead was allocated 60% to cost of goods sold and 40% to work in process.²²

1526 Inventory - Work-in-Process	100	
6500 Cost of Goods [and Services] Sold	150	
6600 Applied Overhead		250
8802 Purchases of Capitalized Assets	100	
8801 Offset for Purchases of Capitalized Assets		100

²¹ \$13,000 of overhead from transaction 9, \$2,000 from transaction 10, and \$50 each from transactions 11 and 12, totaling \$15,100, was incurred. \$14,850, was applied in transaction 12, leaving an unapplied balance of \$250.

²² These percentages are assumed for purposes of the case.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D309	D309-001			1526	6600	100
D309	D309-007			6500	6600	150
E202	D202-001			8802	8801	100

17. It was determined that a non-federal vendor had been overpaid \$100 for merchandise inventory. A receivable was established to collect the overpayment.

1310 Accounts Receivable – Non-federal Vendor Overpayments 100
1521 Inventory Purchased for Resale 100

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
C345 Refer to C345	C345-002 Refer to C345-052			1310	1521	100

18. Collections of \$45,000 were received from customers, and \$200 from vendors which had been overpaid in the previous year.

4132 Substitution of Contract Authority 45,000
4135 Contract Authority Liquidated 45,000

4252 Reimbursements and Other Income Earned – Collected 45,000
4251 Reimbursements and Other Income Earned – Receivable 45,000

4972 Downward Adjustments of Prior-Year Paid Delivered
Orders - Obligations, Refunds Collected 200
4134 Contract Authority Withdrawn 200

1010 Fund Balance with Treasury 45,200
1310 Accounts Receivable – Federal Customers 45,000
1310 Accounts Receivable – Non-Federal Vendor Overpayments 200

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A187	A187-001	4132	4135			45,000
C186	C186-001	4252	4251	1010	1310	45,000
C136	C136-003	4972	4450	1010	1310	200

D136	D136-002 Not TFM	4450	4134			200
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19. Receivables for \$25 of vendor overpayments made in prior years were written off as uncollectible.

1319 Allowance for Loss on Accounts Receivable	25	
1310 Accounts Receivable – Non-federal Vendor Overpayments		25

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
D206	D206-001			1319	1310	25

20. Accounts Payable of \$30,000, and Payroll Payables of \$20,000 were paid.

4901 Delivered Orders - Obligations, Unpaid	50,000	
4902 Delivered Orders - Obligations, Paid		50,000
2110 Accounts Payable	30,000	
2210 Accrued Funded Payroll and Leave	20,000	
1010 Fund Balance with Treasury		50,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B110	B110-001	4901	4902	2110	1010	30,000
B110	B110-006	4901	4902	2210	1010	20,000

21. It was determined that \$3,000 of the remaining unfilled customer orders without advances as of September 30 had been issued based on annual appropriations or multi-year appropriations in their last year, which expired at year-end. The orders were removed from the books.

4132 Substitution of Contract Authority	3,000	
4221 Unfilled Customer Orders Without Advance		3,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A304	A304-003	4133	4221			3,000

PRE-CLOSING TRIAL BALANCES

Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after transactions 1 through 21, are set forth below (debits as positive amounts, credits in parentheses).²³

Budgetary

4032 Estimated Indefinite Contract Authority [Current-Year Contract Authority Realized but not Obligated]	\$14,300
4131 Current-Year Contract Authority Realized [and Obligated]	47,200
4132 Substitution of Contract Authority	9,000
4134 Contract Authority Withdrawn	(200)
4135 Contract Authority Liquidated	(52,000)
4139 Contract Authority Carried Forward	(11,500)
4201 Total Actual Resources – Collected	12,500
4221 Unfilled Customer Orders Without Advance	20,000
4222 Unfilled Customer Orders With Advance	1,500
4251 Reimbursements and Other Income Earned – Receivable	7,000
4252 Reimbursements and Other Income Earned – Collected	52,000
4450 Unapportioned Authority	(12,500)
4510 Apportionments	- 0 -
4610 Allotments – Realized Resources	(4,300)
4700 Commitments - Programs Subject to Apportionment	(10,000)
4801 Undelivered Orders - Obligations, Unpaid	(3,450)
4802 Undelivered Orders - Obligations, Prepaid/Advanced	(1,200)
4901 Delivered Orders - Obligations, Unpaid	(17,250)
4902 Delivered Orders - Obligations, Paid	(51,300)
4972 Downward Adjustments of Prior-Year Paid Delivered Orders - Obligations, Refunds Collected	200

²³ For illustrative purposes, the budgetary trial balance includes unobligated contract authority, which must be removed from the books. The removal is done via a closing entry in the case. In practice, a pre-closing trial balance with the unobligated authority already removed may be prepared.

Proprietary

1010 Fund Balance with Treasury	\$13,700
1310 Accounts Receivable – Federal Customers	7,000
1310 Accounts Receivable—Non-federal Vendor Overpayments	375
1319 Allowance for Loss on Accounts Receivable	(125)
1450 Prepayments	1,200
1521 Inventory Purchased for Resale	7,900
1526 Inventory - Work-in-Process	5,950 ²⁴
1750 Equipment	21,500
1759 Accumulated Depreciation on Equipment	(9,000)
2110 Accounts Payable	(3,200)
2210 Accrued Funded Payroll and Leave	(14,050) ²⁵
2310 Advances from Others	(1,500)
3310 Cumulative Results of Operations	(29,900)
5100 Revenue from Goods Sold	(17,000)
5200 Revenue from Services Provided	(38,000)
6100 Operating Expenses/Program Costs - Direct Labor	21,000
6100 Operating Expenses/Program Costs - Overhead:	
Indirect Labor, Rent, and Other	13,050
6500 Cost of Goods [and Services] Sold	55,150
6600 Applied Overhead	(15,100)
6610 Cost Capitalization Offset	(21,000)
6710 Depreciation, Amortization, and Depletion - Overhead:	
Depreciation on Equipment	2,000
6720 Bad Debt Expense - Overhead: Bad Debts	50

Memorandum

8801 Offset for Purchases of Capitalized Assets	(\$46,450)
8802 Purchases of Capitalized Assets	46,450

²⁴ For information purposes, the Work in Process consists of \$3,000 of labor, \$2,000 of direct materials, and \$950 of overhead. This was determined from the composition of the beginning balance and transactions 8, 9, 15, and 16.

²⁵ This includes an annual leave liability of \$10,050. The only USSGL account for annual leave is for unfunded annual leave, but annual leave benefits for the case study working capital fund are built into customer charges and are thus funded.

RELATIONSHIPS AMONG PRE-CLOSING ACCOUNT BALANCES

As a matter of information, note that the following correct relationships between the various accounts in the trial balances hold (in addition to the standard “debits = credits” requirement).

1. $4201 + 4222 + 4252 - 4802 - 4902 + 4972 = 1010$ [$\$12,500 + \$1,500 + \$52,000 - \$1,200 - \$51,300 + \$200 = \$13,700$]
2. $4222 = 2310$ [$\$1,500 = \$1,500$]
3. $4251 = 1310$ (federal customers) [$\$7,000 = \$7,000$]
4. $4802 = 1450$ [$\$1,200 = \$1,200$]
5. $4901 = 2110 + 2210$ [$\$17,250 = \$3,200 + \$14,050$]
6. $4032 = 4610 + 4700$ [$\$14,300 = \$4,300 + \$10,000$]
7. $4134 = 4972$ [$\$200 = \200]
8. $4252 = 4135$ [$\$52,000 = \$52,000$]
9. $8801 = 8802$ [$\$46,450 = \$46,450$]

CLOSING ENTRIES

Closing entries for the budgetary, proprietary, and memorandum accounts are set forth below.

Budgetary Closing Entries

CB-1 Unobligated contract authority was removed from the books.

4610 Allotments – Realized Resources	4,300	
4700 Commitments – Programs Subject to Apportionment	10,000	
4032 [Curr-Yr Contract Authority Realized but not Obligated]		14,300

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F112	F112-021	4450	4032			14,300

CB-2. The remaining contract authority accounts were removed from the books.

4134 Contract Authority Withdrawn	200	
4135 Contract Authority Liquidated	52,000	
4139 Contract Authority Carried Forward	4,000	
4131 Current-Year Contract Authority Realized [and Obligated]		47,200
4132 Substitution of Contract Authority		9,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F206	F206-001 Refer to F206-004	4134	4139			200
F206	F206-013 Not TFM	4139	4131			42,200
F206	F206-014 Not TFM	4139	4132			9,000
F113 Refer to F206	F113-001 Refer to F206-006	4135	4139			52,000

CB-3. Unobligated authority was removed from the books.

This was subsumed in entry CB-1.

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F210	F210-004	4610	4450			4,300
F210	F210-006	4700	4450			10,000

CB-4. Budgetary cash accounts were consolidated.

4902 Delivered Orders - Obligations, Paid	51,300	
4201 Total Actual Resources – Collected	900	
4252 Reimbursements and Other Income Earned – Collected		52,000
4972 Downward Adjustments of Prior-Year Paid Delivered Orders - Obligations, Refunds Collected		200

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F216	F216-002	4902	4972			200
F204	F204-015	4201	4252			52,000
F214	F214-001	4902	4201			51,100

CB-5. The increase in budgetary cash in CB-4 was added to 4450 and deducted from 4132.²⁶

4139 Contract Authority Carried Forward	900	
4450 Unapportioned Authority		900

²⁶ This entry is necessary to preserve the post-closing relationship between contract authority brought forward (4139) and the net unobligated unfilled customer orders and budgetary accounts receivable (4221 + 4122 + 4151 – 4801 – 4802 – 4901).

Proprietary Closing Entries

CP-1. Cumulative Results of Operations was updated for revenues and expenses during the year.

5100 Revenue from Goods Sold	17,000	
5200 Revenue from Services Provided	38,000	
6600 Applied Overhead	15,100	
6610 Cost Capitalization Offset	21,000	
3310 Cumulative Results of Operations	150	
6100 Operating Expenses/Program Costs - Direct Labor		21,000
6100 Operating Expenses/Program Costs - Overhead:		
Indirect Labor, Rent, and Other		13,050
6500 Cost of Goods [and Services] Sold		55,150
6710 Depreciation, Amortization, and Depletion - Overhead:		
Depreciation on Equipment		2,000
6720 Bad Debt Expense - Overhead: Bad Debts		50

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F228	F228-022			3310	6100	34,050
F228	F228-027			3310	6500	55,150
F228	F228-028			3310	6710	2,000
F228	F228-029			3310	6720	50
F228	F228-035			5100	3310	17,000
F228	F228-036			5200	3310	38,000
F228	F228-059			6600	3310	15,100
F228	F228-060			6610	3310	21,000

Memorandum Closing Entries

CM-1 To bring the memorandum accounts for direct acquisition of capitalized assets to zero.

8801 Offset for Purchases of Capitalized Assets	46,450	
8802 Purchases of Capitalized Assets		46,450

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
F255	F255-001			8801	8802	14,500

POST-CLOSING TRIAL BALANCES

Budgetary, proprietary, and memorandum trial balances of accounts at September 30, after closing entries, are set forth below (debits as positive amounts, credits in parentheses).

Budgetary

4032 Estimated Indefinite Contract Authority [Current-Year Contract Authority Realized but not Obligated]	\$ - 0 -
4131 Current-Year Contract Authority Realized [and Obligated]	- 0 -
4132 Substitution of Contract Authority	- 0 -
4134 Contract Authority Withdrawn	- 0 -
4135 Contract Authority Liquidated	- 0 -
4139 Contract Authority Carried Forward	(6,600)
4201 Total Actual Resources – Collected	13,400
4221 Unfilled Customer Orders Without Advance	20,000
4222 Unfilled Customer Orders With Advance	1,500
4251 Reimbursements and Other Income Earned – Receivable	7,000
4252 Reimbursements and Other Income Earned – Collected	- 0 -
4450 Unapportioned Authority	(13,400)
4510 Apportionments	- 0 -
4610 Allotments – Realized Resources	- 0 -
4700 Commitments - Programs Subject to Apportionment	- 0 -
4801 Undelivered Orders - Obligations, Unpaid	(3,450)
4802 Undelivered Orders - Obligations, Prepaid/Advanced	(1,200)
4901 Delivered Orders - Obligations, Unpaid	(17,250)
4902 Delivered Orders - Obligations, Paid	- 0 -
4972 Downward Adjustments of Prior-Year Paid Delivered Orders - Obligations, Refunds Collected	- 0 -

Proprietary

1010 Fund Balance with Treasury	\$13,700
1310 Accounts Receivable – Federal Customers	7,000
1310 Accounts Receivable—Non-federal Vendor Overpayments	375
1319 Allowance for Loss on Accounts Receivable	(125)
1450 Prepayments	1,200
1521 Inventory Purchased for Resale	7,900
1526 Inventory - Work-in-Process	5,950 ²⁷
1750 Equipment	21,500
1759 Accumulated Depreciation on Equipment	(9,000)
2110 Accounts Payable	(3,200)
2210 Accrued Funded Payroll and Leave	(14,050) ²⁸
2310 Advances from Others	(1,500)
3310 Cumulative Results of Operations	(29,750)
5100 Revenue from Goods Sold	- 0 -
5200 Revenue from Services Provided	- 0 -
6100 Operating Expenses/Program Costs - Direct Labor	- 0 -
6100 Operating Expenses/Program Costs - Overhead:	
Indirect Labor, Rent, and Other	- 0 -
6500 Cost of Goods [and Services] Sold	- 0 -
6600 Applied Overhead	- 0 -
6610 Cost Capitalization Offset	- 0 -
6710 Depreciation, Amortization, and Depletion - Overhead:	
Depreciation on Equipment	- 0 -
6720 Bad Debt Expense - Overhead: Bad Debts	- 0 -

Memorandum

8801 Offset for Purchases of Capitalized Assets	(\$ - 0 -)
8802 Purchases of Capitalized Assets	- 0 -

²⁷ For information purposes, the Work in Process consists of \$3,000 of labor, \$2,000 of direct materials, and \$950 of overhead. This was determined from the composition of the beginning balance and transactions 8, 9, 15, and 16.

²⁸ This includes an annual leave liability of \$10,050. The only USSGL account for annual leave is for unfunded annual leave, but annual leave benefits for the case study working capital fund are built into customer charges and are thus funded.

RELATIONSHIPS AMONG POST-CLOSING ACCOUNT BALANCES

As a matter of information, note that the following correct relationships between the various accounts in the trial balances hold (in addition to the standard “debits = credits” requirement).

1. $4201 + 4222 + 4251 - 4802 - 4902 + 4972 = 1010$ [$\$12,500 + \$1,500 + \$52,000 - \$1,200 - \$51,300 + \$200 = \$13,700$]
2. $4222 = 2310$ [$\$1,500 = \$1,500$]
3. $4251 = 1310$ (federal customers) [$\$7,000 = \$7,000$]
4. $4802 = 1450$ [$\$1,200 = \$1,200$]
5. $4901 = 2110 + 2210$ [$\$17,250 = \$3,200 + \$14,050$]
6. $4139 = 4221 + 4222 + 4151 - 4801 - 4802 - 4902$ [$\$6,600 = \$20,000 + \$1,500 + \$7,000 - \$3,450 - \$1,200 - \$17,250$]
7. $8801 = 8802$ [$\$14,500 = \$14,500$]

FINANCIAL STATEMENTS

The following condensed financial statements are illustrated:

- Statement of net cost
- Statement of changes in net position
- Statement of budgetary resources
- Statement of financing
- Balance sheet

Crosswalks from the trial balances are provided with the statements. All are pre-closing figures unless indicated by a “B” (from the beginning trial balance) or an “E” (from the post-closing trial balance).

**Honest Abe Working Capital Fund
Statement of Net Cost
For Fiscal Year 20X4**

Cost of Goods and Services Sold:²⁹

Direct Labor	\$28,000		
Inventory	11,000		Crosswalk
Overhead	<u>16,150</u>	\$55,150	6500

Earned Revenue:

From Sale of Goods	\$17,000		5100
From Sale of Services	<u>38,000</u>	<u>55,000</u>	5200

Net Cost of Operations \$ 150

**Honest Abe Working Capital Fund
Statement of Changes in Net Position
For Fiscal Year 20X4**

Cumulative Results of Operations October 1	\$29,900	Crosswalk
Net Cost of Operations	<u>(150)</u>	3310B
Cumulative Results of Operations September 30	<u>\$29,750</u>	From SNC
		Must = 3310E

²⁹ This breakout is derived from transactions 15 and 16. To automate the statement of net cost for this level of detail, the work in process account would need to have sub-accounts or data elements to accumulate the information.

**Honest Abe Working Capital Fund
Statement of Budgetary Resources
For Fiscal Year 20X4**

RESOURCES

Unobligated Balance Forward		\$24,000	Crosswalk 4450B, 4139B
New Resources:			
Contract Authority		47,200	4131
Reimbursable Authority:			
Unfilled Customer Orders	(12,000)		4221/2E-B
Budgetary Receivables	3,000		4251E-B
Collections of Earned Revenue	52,000		4252
Collections of Vendor Overpayments	<u>200</u>	43,200	4972
Contract Authority Withdrawn		<u>(47,200)</u>	4132/34/35, less \$7,500 in 4132 from trans. 2
Total Resources		<u>\$67,200</u>	

STATUS OF RESOURCES

Obligated	\$47,200		4801/2,4901/2,E-B
Unobligated—available for new obligations	<u>20,000</u>	<u>\$67,200</u>	4450E

(Statement concluded on next page)

(Statement continued from preceding page)

RELATIONSHIP OF

OBLIGATIONS TO OUTLAYS

Obligations	\$47,200		Crosswalk
Less Offsetting Reimbursables	<u>(43,200)</u>		From Sec 2
Net Cash and Non-Cash Obligations	4,000		From Sec 1
Non-Cash Net Obligations ^(a)	<u>(3,700)</u>		Table (a)
Net Outlays		<u>\$300</u>	
Components of Net Outlays			
Disbursements	\$51,500		4802,4902E-B
Collections	<u>(51,200)</u>	<u>\$300</u>	4222,4252E-B+4972

^(a)Non-Cash Net Obligations:

	<u>Beginning of Year</u>	<u>End of Year</u>	<u>Change</u>
Unfilled Customer Orders Without Advances	(\$31,000)	(\$20,000)	\$11,000
Budgetary Accounts Receivable	(4,000)	(7,000)	(3,000)
Undelivered Orders Without Advances	5,000	3,450	(1,550)
Budgetary Accounts Payable	<u>20,000</u>	<u>17,250</u>	<u>(2,750)</u>
Net Non-Cash Obligations	<u>\$(10,000)</u>	<u>\$(6,300)</u>	<u>\$ 3,700</u>

Crosswalk for Non-Cash Net Obligations:

	<u>Beginning of Year</u>	<u>End of Year</u>
Unfilled Customer Orders Without Advances	4221B	4221E
Budgetary Accounts Receivable	4251B	4251E
Undelivered Orders Without Advances	4801B	4801E
Budgetary Accounts Payable	4901B	4901E

Honest Abe Working Capital Fund
Statement of Financing
For Fiscal Year 20X4

Net Obligations (from statement of budgetary resources)		\$ 4,000	Crosswalk SOBR, Sec 3
Items in Net Obligations Not			
Funding Net Cost of Operations:			
Decrease in Unfilled Customer Orders	(\$12,000)		4221/2E-B
Decrease in Undelivered Orders	1,350		4801/2E-B
Purchases of Assets and Capitalized Costs	(46,450)		8802
Collection of Vendor Overpayments	<u>200</u>	<u>(69,900)</u>	See Note ³⁰
Net Obligations Funding			
Net Cost of Operations		(56,900)	
Items in Net Cost of Operations Not			
Requiring or Using Current-Period Resources:			
Cost of Goods and Services Sold	55,150		6500
Depreciation Expense	2,000 ³¹		6710; See note 19
Bad Debts Expense	50		6720; See note 19
Application of Overapplied Overhead			
to Cost of Good Sold	<u>(150)</u>	<u>57,050</u>	See Note ³²
Net Cost of Operations		<u>\$ 150</u>	

³⁰ This requires either an analysis of transaction 18, a data element coded with account 4972, or a data element coded with account 1310 for vendor overpayments.

³¹ This could also be displayed in the section on “items in net obligations not funding net cost of operations as an adjustment to purchases of capitalized assets and capitalized costs. While that would be a technically more correct presentation, it would result in a more complex report generator if a reporting entity also had depreciation or bad debts which were not capitalized.

³² This requires either an analysis of transaction 16 or a data element coded with account 6600.

**Honest Abe Working Capital Fund
Balance Sheet
At Fiscal Year-End 20X4**

ASSETS		Crosswalk
Fund Balance with Treasury	\$13,700	1010
Accounts Receivable – Customers	7,000	1310
Accounts Receivable—Vendor Overpmts. \$375		1310
Less Allowance for Loss <u>(125)</u>	250	1319
Prepayments	1,200	1450
Merchandise Inventory	7,900	1521
Work in Process Inventory	5,950	1526
Equipment 21,500		1750
Less Accumulated Depreciation <u>(9,000)</u>	<u>12,500</u>	1759
TOTAL ASSETS	<u>\$48,500</u>	
LIABILITIES		
Accounts Payable \$3,200		2110
Accrued Payroll and Benefits 14,050		2210
Advances from Others <u>1,500</u>	\$18,750	2310
NET POSITION		
Cumulative Results of Operations	<u>29,750</u>	3310E
TOTAL LIABILITIES AND NET POSITION	<u>\$48,500</u>	

APPENDIX: Selected Entries and eliminations for a DoD entity that was a customer of the working capital fund.

It is possible that one of the customers of the Honest Abe Working Capital Fund could be another DoD entity. Should that be the case, the most likely relevant transactions would be the providing of customer orders to the fund, paying for them, and accepting goods. The journal entries required to do this would be as follows:

For the Working Capital Fund:

A-4. Reimbursable work orders in the amount of \$46,000 were received from customers, \$6,000 with advances.

4221 Unfilled Customer Orders Without Advance	40,000	
4222 Unfilled Customer Orders With Advance	6,000	
4132 Substitution of Contract Authority		46,000
1010 Fund Balance with Treasury	6,000	
2310 Advances from Others		6,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A304 Refer to A303	A304-001 Refer to A303-001	4221	4132	1010	2310	40,000
C182 Refer to A303	C182-001 Refer to A303-002	4222	4132	1010	2310	6,000

For Another DoD Entity which, let's say for sake of illustration, provided a \$2,500 order with a \$2,000 advance.

4700 Commitments - Programs Subject to Apportionment	2,500	
4801 Undelivered Orders - Obligations, Unpaid		500
4802 Undelivered Orders - Obligations, Prepaid/Advanced		2,000
1450 Prepayments	2,000	
1010 Fund Balance with Treasury		2,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B204	B204-003	4700	4801			500
B206	B206-006	4700	4802	1450	1010	2,000

Required eliminations: At this point, if financial statements were to be prepared, only the balance sheet would be affected. The \$2,000 prepayment in 1450 would be offset against \$2,000 of the \$6,000 advance in 2310. Note that there would normally not be eliminations in the budgetary accounts, because the Federal Budget generally does not net them individually, and the financial statements must tie to information in the Budget.

For the Working Capital Fund:

A-15. The finished goods were transferred to the customers. The orders contained \$28,000 of labor, \$11,000 of inventory, and \$16,000 of overhead. Sales was divided between services, \$38,000, and goods, \$17,000. \$7,000 of advances had been paid by the customers; the remainder was billed.

4132 Substitution of Contract Authority	7,000	
4135 Contract Authority Liquidated		7,000
4251 Reimbursements and Other Income Earned – Receivable	48,000	
4252 Reimbursements and Other Income Earned – Collected	7,000	
4221 Unfilled Customer Orders Without Advance		48,000
4222 Unfilled Customer Orders With Advance		7,000
6500 Cost of Goods [and Services] Sold	55,000	
1527 Inventory – Finished Goods		55,000
1310 Accounts Receivable – Federal Customers	48,000	
2310 Advances from Others	7,000	
5100 Revenue from Goods Sold		17,000
5200 Revenue from Services Provided		38,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
A187	A187-001	4132	4135			7,000
A310	A310-001	4251	4221	1310	5100	15,000
A310	A310-002	4251	4221	1310	5200	33,000
A306	A306-001	4252	4222	2310	5100	2,000
A306	A306-003	4252	4222	2310	5200	5,000
D612	D612-002			6500	1527	55,000

For the DoD Purchaser, who, let's say, had the order filled for \$2,500 (assuming that the item is some sort of consumable inventory and is expensed):

4801 Undelivered Orders - Obligations, Unpaid	500	
4802 Undelivered Orders - Obligations, Prepaid/Advanced	2,000	
4901 Delivered Orders - Obligations, Unpaid		500
4902 Delivered Orders - Obligations, Paid		2,000
6100 Operating Expenses/Program Costs	2,500	
2110 Accounts Payable		500
1450 Prepayments		2,000

USSGL Trans Code	DoD Trans Code	Budgetary Debit	Budgetary Credit	Proprietary Debit	Proprietary Credit	Amount
B302	B302-022	4801	4901	6100	2110	500
B404	B404-048	4802	4902	6100	1450	2,000

Required eliminations: At this point, if financial statements were to be prepared, the balance sheet, statement of net cost, and statement of financing would be affected. The \$500 account payable of the customer would be eliminated against \$500 of the \$48,000 of the accounts receivable in the working capital fund. Additionally, the \$2,500 in sales of the working capital fund should be eliminated against the \$2,500 of cost of goods sold to avoid double-counting between the working capital fund and the fund's DoD customer. Both would then become reconciling items on the statement of financing. The net cost of operations would be unchanged, and so the statement of changes in net position would be unaffected

Again, note that there would normally not be eliminations in the budgetary accounts in any case, because the Federal Budget generally does not net them individually, and the financial statements must tie to information in the Budget.

**** This is the end of the case. ****